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Austria may soon formally ask the four occupation powers for authorization to establish a national army of the size allowed by the long-delayed state treaty.

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## THE SOVIET WORLD

Recent events highlight the problems the European Satellite regimes face in trying to follow the new economic course set by Moscow. Their difficulties are further complicated by changes in political tactics and adjustments in the Communists' highly propagandized economic plans.

The Satellites have made little progress so far toward solving the long-standing problem of imbalance between agriculture and industry, and the problem of labor discipline and productivity.

The purge of a county official of the Hungarian Workers' Party late in March for failure of his organization to support the regime's agricultural policy illustrates the problem caused by radical departures from previous practices. The official was accused of causing "grave disintegration in relations between the party and the masses" by continuing to use harsh measures, now proscribed, against independent farmers and peasants who wished to withdraw from collectives. His purge provides additional evidence that the party's campaign to gain broader support from local party leaders has failed. Principal causes of this would appear to be their leaders' lack of faith in, and understanding of, the new course. Despite the fact that production of consumer goods and food remains unsatisfactory, Bulgaria, Hungary, and Czechoslovakia announced new price cuts at the end of March in an effort to gain the support of the industrial workers. Recent critical speeches by Satellite leaders indicate their concern over the serious inflationary pressures inherent in the continued low level of food and consumer goods production. The Czech measure was more comprehensive than the price cuts decreed last September and, according to the government, was to be accompanied by the release of large consumer stocks from government "reserves."

There is some evidence that other Satellites are attempting to increase the availability of goods on the market by tapping stockpiles. These measures are obviously of a stop-gap nature and will not forestall an increase in inflationary pressures if production is not stepped up. In Rumania, these pressures are apparently serious enough already to prevent any price cuts. The regime has, indeed, been forced to reduce salaries of armed forces and militia personnel and government and industrial employees.

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A certain amount of temporary unemployment resulting from the shift in industrial production from capital equipment to consumer goods has added to the difficulties of the Communist regimes. Several of the Satellites are continuing to press industrial workers to migrate to rural areas where an increased labor force is sorely needed. There is evidence, especially in Hungary, that these measures are creating uneasiness among the displaced workers and resentment among the rural population.

It appears that the party congresses which have been scheduled this spring in all the Satellites except Albania were called primarily to emphasize the firm intention of party leaders to carry out the new course and to obtain the full support of the party rank and file.

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## THE COMMUNIST POSITION AT THE GENEVA CONFERENCE

Moscow and Peiping apparently will be unwilling to make any major concessions toward a Korean settlement at the Geneva conference. They seem to prefer to reduce emphasis on military tactics in Indochina and rely primarily on negotiation and political maneuvering to achieve their objectives there.

The Communists have indicated that their position will be governed by three related objectives: (1) to prevent renewal of the Korean war and expansion of the Indochina war; (2) to promote general acceptance of Communist China as a great power, and to raise the prestige of the Communist regimes in Korea and Indochina; and (3) to split the United States from its principal allies.

Both Moscow and Peiping have attempted in their propaganda to present the Geneva conference as a conflict between a Soviet bloc anxious to "reduce tensions" and an American-led bloc eager to increase them. The Communists are thus expected to introduce at Geneva such issues as the Western system of alliances, the American-South Korean Mutual Defense Treaty, the American-Japanese Security Treaty, proposed American aid to Pakistan, and such allegedly related issues as China's seat in the UN and the status of Formosa. Molotov may also try to bring up his Berlin proposals on reduction of armaments, political relations among the great powers, and the development of international trade.

There are also indications that the Communists will introduce an Asian security proposal along the lines of the "all-European collective security system" which Molotov called for at Berlin. Izvestia on 6 April asserted that the "five great powers...must reach an agreement on general security in the Far East."

In procedural matters, such as discussion of the agenda and designation of chairmen, the Soviet delegation is expected to try to obtain a "great power" position for Peiping. In what may be the most important procedural question, the Russians may demand that Communist China be included in negotiations of the "sponsoring powers" on the composition and scope of the Indochina phase of the conference. The Soviet delegation may play down its own role, advancing Peiping as the spokesman for the Far East and the North Korean and Viet Minh representatives as spokesmen for their countries.

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The Communists apparently see some chance of splitting the United States from Britain and France on the issue of policy toward Indochina and Communist China. The British favor eventual admission of the Peiping regime to the United Nations and relaxation of economic sanctions against China, while the French seem willing to pursue a conciliatory line in exchange for a mere Chinese promise to cease aiding the Viet Minh. Both London and Paris have resisted any commitment prior to Geneva on the question of "united action" in Indochina, and the French government is under increasing pressure to negotiate a settlement.

#### Position on Korea

On the Korean question, Soviet statements since Berlin suggest that the Communist position will be similar to the Soviet stand on Germany. Moscow is apparently no more interested in negotiating a political settlement on Korea than on Germany at this time.

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The Communists have always insisted that the withdrawal of foreign forces should be the first step toward unification by "the Koreans themselves." They may now advance an omnibus unification plan along the lines of Molotov's formula for Germany. This would include three main phases: (1) withdrawal of foreign forces; (2) establishment of a provisional government by combining the rival regimes; and (3) ultimate creation of a unified government by elections conducted under the provisional government.

Since the Western powers and South Korea would undoubtedly reject this formula, the Communists might then suggest a more narrow agreement on mutual troop withdrawal. Such a proposal could be designed simply for propaganda advantage, however, since Moscow and Peiping may fear that the power vacuum created by the withdrawal would encourage President Rhee to attack the north and thus cause hostilities which might spread beyond Korea's frontiers.

Assuming that the division of Korea will continue, with or without a troop withdrawal, the Communists may propose the creation of all-Korean committees to promote coordination in the fields of commerce, transport, frontier and security matters. Such a proposal would be aimed at facilitating the infiltration and subversion of South Korea.

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### Position on Indochina

Soviet propaganda since August has emphasized the desirability of a "negotiated settlement of the Indochina problem." In November, Ho Chi Minh stated that "if the French government wishes to have an armistice and settle the question through negotiations, we will be ready to meet the French proposal." He said that peace talks were essentially an affair between his government and the French.

This insistence that an Indochina settlement can be reached only by direct negotiations between the French and the Viet Minh is the basic element in current Communist tactics. It appears to be aimed at forcing France to take the initiative in opening truce talks with the Viet Minh and thereby to extend de facto recognition. In an extension of this tactic, the Soviet and Chinese delegations may attempt to maneuver the conference into "mediating" between France and the Viet Minh.

Recent American warnings place pressure on the Communists to advance a formula which will remove the threat of internationalization of the war and at the same time avoid compromising the prospects of the Viet Minh. Their first move is thus expected to be toward bringing about cease-fire talks, preferably on French initiative.

If the threat of American-UN intervention were removed, the Communists would be under less pressure to make an early political settlement. They could then revert to their insistence on the evacuation of French forces and recognition of the Ho regime as the government of an independent Vietnam.

Should a French rejection of cease-fire overtures lead the Communists to see a real danger of UN intervention, they might propose or agree to an immediate cease-fire, without prior guarantees of a French withdrawal but with a condition that the French recognize the Viet Minh regime.

Should the French reject this single condition, the Communists might then fall back on an unconditional cease-fire proposal, in the hope that they could prolong negotiations indefinitely on the Korean pattern.

The Communists may believe that in prolonged negotiations the alternatives for a political settlement will narrow down to coalition government or partition. They apparently estimate that the French and Vietnamese would be more amenable to some form of partition than to a coalition. Soviet diplomats in

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capable of replacing the United Nations Command. These changes are logical steps toward a planned expansion of the South Korean defense establishment, but they also diffuse and decrease the United Nations Command's control over South Korea's combat forces.

The reorganization of the defense structure stems partly from Rhee's desire to unify Korea by force. In seeking this objective, he probably anticipates that additional American troops will be withdrawn from Korea and that renewed hostilities thereafter would not bring immediate American aid as in 1950. His own defense minister and his service chiefs of staff have told him repeatedly and as late as 23 March that a unilateral attack cannot succeed.

Under these circumstances, Rhee's current strategy apparently is to seek to build up his own forces with American aid in the hope that eventually he can advance northward alone. He has demanded that the United States equip additional South Korean divisions and increase his air and naval forces.

Before and during the recent fighting, Rhee was largely content to leave military matters to the professional officers and their American advisers. At the same time, he always recognized that the army, with its potential for taking direct political action, is largely beyond his control. He has sought to reduce this capability by playing off factional army leaders against one another and by developing control over the strongest faction.

During the past year, Rhee extended this policy to the so-called "Manchurian officers' clique," which is now the controlling faction. Its leadership is split three ways between Yi, Army Chief of Staff Chong Il-kwon, and First Field Army Commander Paek Sun-yop. Rhee may hope to use Yi, whom Chong and Paek dislike, to promote friction in the high command and to check the known political ambitions of General Chong.

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## RHEE INCREASING CONTROL OVER SOUTH KOREAN ARMY

President Rhee's unpublished decree of 24 March placing all South Korean armed forces under a single commander appears designed to increase his personal control over the military and to strengthen his hand in dealing with the United States.

According to American officials in Seoul, the order designated General Yi Hyong-kun, newly appointed chairman of the South Korean joint chiefs of staff, as supreme commander and made him directly responsible to Rhee. The president signed the decree after Yi had made an emotional harangue to the joint chiefs in support of unilateral military action. Defense Minister Sohn and the army and navy chiefs of staff reportedly threatened to resign if Yi's appointment went through and temporarily persuaded Rhee not to publicize it.

General Yi, who has aspired to be supreme commander for years, is a competent general, and may see the futility of seeking unification by force. He is, however, an opportunist who desires to ingratiate himself with Rhee, and his advocacy of unilateral action makes him useful to Rhee in the latter's current negotiations with the United States for a build-up of the South Korean armed forces.

If an agreement on Korean unification is not reached at Geneva, and Rhee fails to get American support for renewing hostilities after 90 conference days, he may seek to embroil the United States in renewed fighting or to prevent the withdrawal of additional American divisions. Yi's opportunism, plus Rhee's unfamiliarity with military problems, may result in unrealistic South Korean policies in the crucial period after the end of the 90-day time limit and before any further withdrawal of American troops.

Yi's appointment would enhance Rhee's control of the armed forces and thus further weaken the influence of the United Nations Command.

Other efforts by Rhee to consolidate his control of the armed forces are reflected in a series of recent high command changes. Last December the First Field Army was activated, and in March it was given tactical control over all South Korean combat forces. In mid-February, against American advice, Rhee established the joint chiefs of staff, a top command agency

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During the past year, Rhee extended this policy to the so-called "Manchurian officers' clique," which is now the controlling faction. Its leadership is split three ways between Yi, Army Chief of Staff Chong Il-kwon, and First Field Army Commander Paek Sun-yop. Rhee may hope to use Yi, whom Chong and Paek dislike, to promote friction in the high command and to check the known political ambitions of General Chong.

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## GREEK POLITICAL STABILITY THREATENED

The resignation of Minister of Economic Coordination Markezinis has severely strained the government of Prime Minister Papagos. Markezinis does not have a large popular following, but is recognized as the able architect of recent Greek economic planning. His departure from the Rally government may divert Greek attention from national reconstruction to domestic political maneuvering and thus weaken an element in the Western defense system.

Markezinis organized the sweeping electoral victory which brought the Rally to power in November 1952 and has been a dynamic if controversial figure ever since. He had been insisting for months that he needed greater political authority, particularly in the appointment of key officials, in order to complete the carrying out of economic reforms bitterly opposed by entrenched economic interests. Papagos supported Markezinis' policies but opposed the extension of his political influence. Markezinis' resignation followed the refusal of Papagos to appoint him deputy prime minister.

Enemies of Markezinis, who have steadily undermined his position with Papagos, are reported to have urged the prime minister to remove his supporters from the administration. On 10 April Papagos reorganized his cabinet, eliminating some of the former minister's followers. Two of Markezinis' men, however, retained the chief economic ministries--Thanos Kapsalis as minister of economic coordination and Constantine Papagiannis as minister of finance. Papagos has stressed that Markezinis' economic policies will be continued. The retention of his lieutenants is probably intended to provide continuity and to prevent a collapse of the program, which might discredit the Rally in the eyes of the electorate.

After his removal, Markezinis tried to preserve a basis for rapprochement with Papagos, and most Rally newspapers expressed hopes of an early reconciliation. These efforts are probably due partly to a realization by both sides that a breakup of the Rally would benefit the Communist-dominated United Democratic Party.

The loss of Markezinis seriously weakens the unity of the Rally leadership. Papagos has already been forced to state publicly that, contrary to current rumors, his party would complete its four-year term in office without calling for general elections. Should the split become permanent, it may end in the disintegration of the Rally and thus promote a return to fractionized Greek politics and splinter party coalition governments.

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## PEIPING STEPS UP RAILROAD CONSTRUCTION PLANS

Railroad construction activity in Communist China will be unusually heavy this year. Peiping is expected to raise the amount of track laid on new main lines from the 380-mile annual average of the past three years to 500 miles in the future. At the new rate, which can easily be maintained, the remaining 5,000 miles of the 6,500-mile expansion program can be completed in the coming ten years. More than 80 percent of the new mileage will be in western China (see chart, p. 15 and map, p. 16).

The completion of a large rolling mill in Manchuria late in 1953 enabled the Chinese to accelerate railroad construction without importing rails. On 1 January the official People's Daily stated that the economic construction program as a whole would concentrate in 1954 on two things--railroads and heavy industry.

On completion of the railroad expansion program which began in 1950, the Chinese will be operating a new line to the USSR through Sinkiang and possibly one into Outer Mongolia, will have completed a 2,800-mile network linking Southwest China to the rest of China, and will have a few scattered new lines of strategic or industrial importance elsewhere in China.

Besides providing an additional link to the USSR, the 1,700-mile line from Lanchow through Sinkiang will tie the western province more closely to China proper. The line has already stimulated development of the Yumen oil field. Increasing quantities of petroleum products from this field, the only large one in China proper, were shipped eastward over the railroad in 1953, and in 1954 about half the Yumen output is scheduled to go to refineries in the East and Northwest Areas, satisfying a substantial part of Chinese civilian requirements.

There are numerous reports of plans for a railroad from Suiyuan Province through Outer Mongolia, [REDACTED]

The project appears less urgent than the other Sino-Soviet link through Sinkiang.

The 2,800-mile network planned for Southwest China will make the area's considerable mineral and agricultural resources more accessible to the ports and industries of eastern China.

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It will also strengthen the supply route to western Indochina, which can now be reached from eastern China only by air transport or by truck over a long and mountainous highway. The first railroad built by the Communist regime, in 1951, was the 250-mile line through Nanning, which has become the main supply route to the Viet Minh.

For more than a year, according to numerous reports, the Chinese Communists have been preparing to build a 70-mile railroad from Nanning to the small port of Chinhkien, about 50 miles east of the Indochina border. Such a line would give Kwangsi Province its first rail outlet to the sea, and would improve Chinese capabilities for moving troops between the Indochina border and the bases on Hainan Island and the Leichou Peninsula.

Another line

runs from Tsingtao to Chefoo in Shantung Province. This would be a vital railroad in the event a naval blockade prevented merchant shipping from rounding the Shantung Peninsula.

Peiping has just begun work on the Wuhan bridges across the Han and Yangtze Rivers at Hankow which will eliminate a major bottleneck in north-south traffic. Work on the 987-foot Han River bridge was started last November. Construction on the 3,297-foot Yangtze bridge, which is to be a double-deck, double-track bridge, is to start in late 1955.

Soviet technical assistance on survey work and on construction of difficult bridges and tunnels has been eulogized in the Chinese press.

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RAILROAD CONSTRUCTION PROGRAM IN COMMUNIST CHINA  
(in miles)

	<u>Mileage Completed 1950-1953</u>				<u>4-yr. Total</u>	<u>Surveyed or Under Construction</u>	<u>Over-all Length</u>
	1950	1951	1952	1953			
IN THE NORTHWEST AND SOUTHWEST							
1. Lanchou-Sinkiang				118	118	1621	1739
2. Lanchou-Tienshui		82	137		219		219
3. Tienshui-Paochi (Peiping regards as new line, though it is really an extensive renovation)				95	95		95
4. Lanchou-Pao'tou						625	625
5. Chengtu-Paochi				98	98	399	497
6. Chungking-Chengtu	39	147	128	-	314	-	314
7. Neichiang (Szechwan)-Kunming						503	503
8. Ch'ichiang (Szechwan)-Kueiyang		unknown			26	248*	274*
9. Chani (Yunnan)-Kueiyang						373*	373*
10. Kueiyang-Hsiangtan (Hunan)						531	531
11. Kueiyang-Chinchengchiang (Kwangsi)						279	279
IN THE REST OF CHINA							
12. Laping-Munankuan (Indochina border)		250			250		250
13. Fengtai-Shacheng				6	6	59	65
14. Yalin (forestry line in NE)			24	21	45		45
15. Tanglin (forestry line in NE)				25	25		25
Probably planned, but not yet announced by Peiping; Nanning-Chinhsien, Tsingtao-Chefoo, Suiyan-Mongolia							
	39	479	289	363	1196	621*	621*
						5259	6455
Annual total construction announced by Peiping	39	479	293	366			

\*Rough Estimates Approved For Release 2004/06/24 : CIA-RDP79-00927A000200210001-8

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**The map has been omitted from this copy.**

## THE 25 APRIL ELECTIONS IN ARGENTINA

In the elections scheduled for 25 April in Argentina, the Peronista Party is expected to elect its candidate for vice president and retain its dominance in congress, where half the members are up for re-election. The presidency is not at stake.

President Peron is believed to have called the elections at this time, more than a year before the new congress will convene, because of his concern lest economic austerity measures cause gradually rising disaffection among his labor supporters. The election of a vice president, not legally required at this time, suggests an unusual concern with the succession problem.

Improved international relations, especially with the United States, have enhanced Peron's prestige at home. A marked lessening of tension has resulted from such conciliatory gestures to the opposition as the release of political prisoners and the cautious relaxation of press and other controls.

Growing labor unrest indicates, however, that Peron's political difficulties will increase as he proceeds with his plans for coping with the stringent financial situation. In late March, Peron announced that higher wages will depend on higher production, and that they must be negotiated with the General Economic Confederation (CGE), a new organization formed to represent management. The General Confederation of Labor sees the CGE as a threat to its dominant power position, already weakened by the formation of a separate organization for professional employees last November. Although these grievances are being exploited with some success by Communist and other opposition groups, a comfortable Peronista majority still seems certain in the April elections.

The Peronista Party now holds all 34 seats in the Senate and 141 of the 155 seats in the Chamber of Deputies. The Radical Party, which holds the remaining 14 seats, is the strongest of the seven opposition parties in the elections, but even it is deeply split by internal dissension. In 1951, the Radical presidential candidate polled about 32 percent of the vote, or half that for Peron, under more restricted conditions for campaigning than now prevail.

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The Radical platform features a nationalist appeal for expropriation of private petroleum and foreign meat packing plants and strongly attacks the foreign investment law of August 1953. The party also opposed ratification of the Rio de Janeiro treaty of 1947 for hemisphere defense. Radical speakers, along with other opposition spokesmen, strongly denounce the Peron regime as authoritarian and abusive of civil liberties. All parties have been denied use of the radio facilities, but campaigning appears otherwise unrestricted, and resumés of opposition speeches are carried in the nongovernment press.

The Peronista candidate for vice president, Senate leader Alberto Teisaire, has acted in that capacity since the death of Vice President Quijano in April 1952. As long as Peron remains in office, the election of a new vice president is not legally required. Should Peron leave office, however, elections would have to be held within 60 days. Thus the main purpose of Teisaire's candidacy is apparently to make it legally possible for him to complete Peron's full term of office if necessary. Teisaire is considered a compromise between the competing army and labor power groups.

Persistent reports that Peron is seriously ill have focused attention on the succession problem. Most observers have described him as exceptionally robust, but there were persistent rumors early this year that he was ill. Peron issued a vigorous public denial of these rumors in March. Threats to assassinate Peron are also said to be on the rise, and one plot was reported discovered in early April.

In calling early elections, Peron evidently hopes to gain a freer hand to enforce austerity measures and create conditions more attractive to the foreign investment needed to help meet current capital needs as well as finance the Five-Year Plan. The popular election of Teisaire, who supports the more moderate policies Peron has initiated over the past six months, would offer some assurance that these plans would continue even in the event of Peron's retirement.

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## AUSTRIA MAY ASK AUTHORIZATION FOR AN ARMY

Independently of current moves to increase the size of the special police forces, Austria may soon formally ask the four occupying powers for authorization to establish a national army. The Austrians are reported thinking in terms of a body of some 50,000 men--the size of the army they would be allowed under provisions of the long-delayed state treaty. Soviet approval of such a plan, at least on terms acceptable to the West, is doubtful.

Under Secretary of the Interior Graf publicly opened the campaign for an Austrian army last October, after Britain and France has announced that they were reducing their occupation forces to token size. Graf evidently calculated that the United States would not leave until it was sure Austria could provide for its own security. He told American officials that the proposed Austrian force should have a secret understanding with NATO.

Austria continues to hope for authorization to form an army despite the failure to obtain a treaty at the Berlin conference. The establishment of such a force is regarded as a move toward national sovereignty, the opening of opportunities for new careers, and a possible way of hastening the withdrawal of occupation forces. It is doubtful, however, whether Graf would be supported for the post of defense minister, since he, alone of top People's Party officials, is not politically indebted to Raab, and hence may be considered difficult to control.

The other member of the coalition, the Socialist Party, shares the conviction that Austria should increase its own security forces, but has shown little enthusiasm for establishing an army and defense ministry in which Socialist influence would probably be less than that of the People's Party. The Socialists still recall that in 1934 the national army joined with the paramilitary organization of their present coalition partner to crush their party. They tend to believe that, instead of creating an army, Austria should enlarge its police and gendarmerie, both of which are now under a Socialist, Interior Minister Helmer.

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It is not believed that France and Britain would raise serious objections to the open creation of an Austrian army with four-power approval. Moscow's approval is at best doubtful, but conceivably it might be obtained if the arrangement were sweetened with accompanying concessions to the Soviet Union. Graf's present plan is to invite the USSR to supply some of the arms--a proposal likely to meet with firm Western objections.

If necessary, Raab might offer the additional concession of agreeing to the continued stationing of occupation forces in Austria. His major goal remains the withdrawal of the 17,000 American and 39,000 Soviet troops whose presence in Austria nine years after the end of the war is regarded by nearly all Austrians as a mixture of nuisance and insult. If this is unobtainable, however, a minor political victory could still be gained from building up an Austrian army.

Raab is on record with an aide-memoire of 30 March to the Western Allies, calling for a permanent conference of the four high commissioners and an Austrian representative to deal with all questions relating to the easing of the occupation. If, as now seems likely, he is successful in establishing such a conference, most indications point to an early proposal from his representative for the authorization of sizable Austrian armed forces, either with or without foreign troop evacuation.

Even if his request is denied by one or more of the four powers, Raab will be credited domestically with active efforts in behalf of Austrian sovereignty, and he will have established internationally a bargaining position for seeking a substantial increase in the gendarmerie.

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